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New Zealand

Retail Food Sector

Report

2001

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Report Highlights: The supermarket sector holds the most promise in the retail area for sales of U.S. consumer food products to New Zealand. Contact with import agents, distributors or brokers is the primary channel to explore and establish sales. New, innovative and high quality products continue to be in good demand.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Wellington [NZ1], NZ

Section I. MARKET SUMMARY

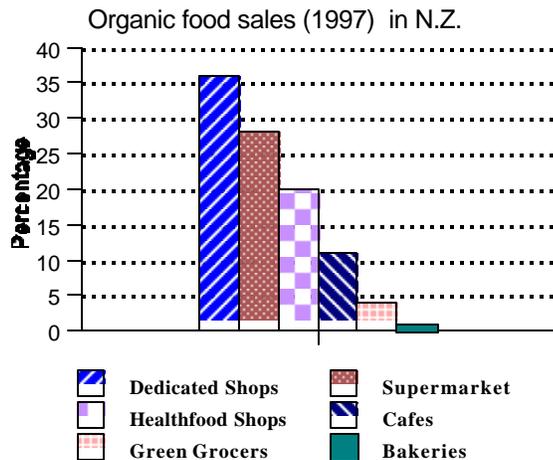
- New Zealand is a small country (comparable in size to West Virginia) with a population of 3.8 million people. It is largely urbanized with two-thirds residing in the main urban areas, led by Auckland, Wellington and Christchurch.
- It is a developed country with a highly competitive export agriculture and food industry.
- In the retail food sector, consumers seek high quality and good tasting food. They show strong interest in new and innovative products.
- The United States is New Zealand's second largest trading partner. New Zealand is an importer of US\$1.1 billion of agricultural products of which about two-thirds are consumer oriented products.
- New Zealand's retail food sales are approx. NZ\$8.5 billion (US\$ 3.6 billion).
- New Zealand imported a total of NZ\$725 million (US\$307 million) of consumer oriented foods in 2000, of which the United States holds a 13-percent market share. The U.S. share has declined slightly since 1998 due to the very strong U.S. dollar.
- This market is dominated by three supermarket groups: Foodstuffs, Progressive and Woolworths.
- In New Zealand, there are 349 supermarket stores, 1,500 corner stores and 1,500 convenience stores, holding 80 percent, 5 per cent and 15 percent of retail sales respectively.
- Consumer research has identified the key requirements for the 18-44 year old group to be:
 - S Convenience and grazing, snacking on the run consumption
 - S concerns over health
 - S concerns over environment and price
- C The major needs identified for the consumers over 45 years old category:
 - S product quality
 - S service
 - S security and safety
 - S convenience and price

Distribution of Household Food Expenditure

Stores	% expenditure
Supermarket	63%
Restaurants, cafes	14%
Other	8%
Takeaways	5%
Corner Stores	4%
Butchers, fishmongers, delis	3%
Greengrocers	3%
Total	100%

Source: National Business Review (June, 2001)

- C In the past few years, the supermarket retail chains and gasoline stations have diversified sales to include ready-to-eat and hot-take-away foods.
- C There is a growing trend toward organic foods; domestic consumption is estimated at NZ\$40 million (US\$17 million), growing at the rate of 30 percent per annum.



Advantages/Challenges for U.S. Consumer Food Exports to New Zealand

Advantages	Challenges
Familiar business environment, including language, communication and customs	Weak New Zealand dollar against U.S. dollar increases import costs for U.S. products
Minimum barriers to trade including low tariffs	Closer economic ties with Australia eliminates tariffs on Australian products, while U.S. exports pay 0-7% tariffs.
U.S. products hold an image of 'new' and 'high quality'	Strict phytosanitary/sanitary regulations with regard to some fresh produce and meats.
U.S. counter-seasonal production of fruits fills some market demand	Large food multinationals, including U.S. firms, located in Australia supply many well-known brands of food products.

- According to the household survey of June 2001, an average New Zealand family spends NZ\$124.90 weekly on food; this is 16.6 percent of the net total expenditure, which is 4.5 percent higher than the previous survey.
- C New Zealanders spend 22% on food-away-from-home (per capita sales US\$552), by 2010 it is predicted to increase to 33%.
- Following are the food expenditure data for an average New Zealand family:

Household Food Expenditure (March 2000)

Commodity	Av. Household expenditure in 1998 NZ\$	Av. Household Expenditure in 2000 NZ\$	% change
Fruit	8.20	8.70	6.1
Vegetables	9.10	9.50	4.3
Meat	11.90	13.50	13.4
Poultry	3.60	4.20	16.6
Fish	2.20	2.40	1.0
Farm Products, fats, oils	12.90	13.40	3.8
Cereals, cereal products	14.70	15.20	3.4
Sweet Products, beverage	12.80	14.10	10.1
Other foodstuffs	13.00	15.20	16.9
Meals out, take aways	25.10	28.80	14.7

Genetically Modified Food Labeling Requirement for Retail Food Products

On December 7, 2001, the new food standard relating to genetically modified (GM) food comes into effect. Under the standard, food or food ingredients, with certain exceptions, must be labeled on the ingredients list with the words 'genetically modified' if genetic material or protein from genetic modification is present in the final food (e.g., salt, genetically modified corn). A 'stock in trade' provision has been approved which means that foods produced (i.e. manufactured and/or packaged) prior to the 7th of December 2001, even if imported after the 7th December 2001, will not have to comply with the new labeling requirements and will be allowed to remain on the shelves until used up, but would not be permitted to remain for more than 12 months. All products manufactured on or after 7th December 2001, must meet the new labeling regulations (for more details see the ANZFA home page listed in section V).

It is the responsibility of the food businesses applying the food label, re-labeling food or selling the food to meet the requirements of this standard. As such, this includes manufacturers, packers, importers and where appropriate retailers. A stick on label is permitted to convey this information but it must not hide other information.

A number of exemptions exist for the labeling of GM food. These include:

- C **Highly refined foods** (from which novel DNA or novel protein is removed, e.g. refined sugars, oils etc)- unless they have additional GM labeling requirements.
- C **Additives and processing aids** (which do not contain novel DNA or novel protein) in the final

food.

- C **Flavorings** at or below 1gm/kg (0.1%) in the final food.
- C **The standard allows up to 10gm/kg (1%)** per ingredient of GM food where its presence is unintended.
- C **Food intended for immediate consumption** from the point of preparation (vending vehicles, restaurants, take away outlets, caterers, or self-catering institutions).

Section II. Road Map for Market Entry

A. SUPERMARKETS

Overview

New Zealand's grocery industry is highly developed with supermarkets and convenience stores in all population centers. The concept of 'supply chain management' has been embraced and implemented by the large supermarket chains. This has led to increased direct sales from producer/manufacturer to retailer. New Zealand supermarkets now purchase and retail the majority of produce in all meat, fruit and vegetable sectors, whereas in 1980 as much as 90% was sold through traditional greengrocers or corner stores.

The New Zealand food retail sector is a NZ\$8.5 billion (US\$3.6 billion) industry. About 80 percent of the retail product food sales are made through supermarkets and 15 percent through gasoline stations/convenience stores and 5 percent through corner stores called dairies. There are three major players which dominate the New Zealand grocery market, Foodstuffs, Progressive and Woolworths. Foodstuffs sales have been growing much faster than those of its competitors and it has gained 7% by market share in five years. It is predicted that Foodstuffs could capture 70% of New Zealand supermarket sales within 10 years. But Progressive is trying to buy Woolworths. This attempt, however, has been blocked by court action (Progressive has appealed to the Privy Council).

Market Structure

Supermarket Structure in New Zealand

Retailer Name and Outlet Type	Ownership	Share of Sales	Sales (US\$Mil)	No. of outlets	Purchasing Agent Type
Foodstuffs Limited-distributor to Pak'n'Save, New World, Write Price and 4 Square supermarkets	New Zealand owned	58%	1,670	163	Direct, Agent, Importer
Progressive- distributor to Foodtown, Countdown, Fresh Choice and Supervalu supermarkets	Australian owned	24%	691	105	Direct, Agent, Importer
Woolworths- distributor to Woolworths, BigFresh, and Price Chopper supermarkets	Hong Kong owned	18%	518	81	Direct, Agent, Importer

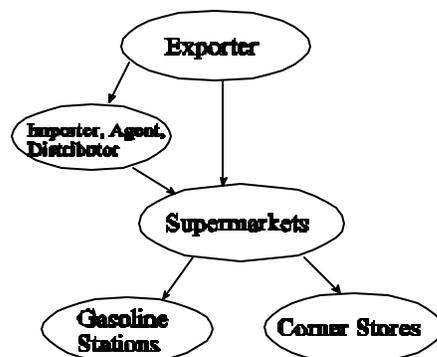
- C 52% of the total number of supermarkets are located Auckland region of the upper north island of the country; 34% in the South Island and 14% are located in the lower north island.

Distribution Channel

New Zealand's supermarket distribution channels are relatively simple. The owners of the individual supermarket chains have distribution centers throughout New Zealand which distribute to each store. To get the products to the distribution centers the supermarkets either import directly from a foreign food exporter; or go through an import agent/ distributor, who generally distributes to all food retail outlets; supermarkets will also purchase directly from New Zealand food manufacturing companies.

Entry Strategy

- C U.S. food products hold an image of 'new' and 'high quality'.
- U.S. exporters can appoint agent, distributors or import brokers who then target food category/merchandise managers at major wholesalers and supermarkets chains. About 90 percent of imported retail food products are distributed through agents/distributors.
 - Specialty importers/wholesalers may also be approached. For example, there are several importers who specialize in importing dried nuts or fruits and others who specialize in other consumer ready products.
 - Bulk dry products can be supplied to a New Zealand distributor/importer, who in turn repackages them into retail sizes.
 - New Zealand importers also make purchases from suppliers met at international food shows (e.g. FMI, ANUGA, SIAL).
 - Advertising and sampling of the product in supermarket chains will help promote new items. Product also can be introduced/advertised through retail magazines in New Zealand (e.g. Retail Today and Grocers' Review).
 - Fresh products can be marketed directly through speciality importers who can approach produce managers at the major supermarkets.



Food Trends

Retail food sales are being affected by New Zealander's changing lifestyles and emerging trends like:

- C New Zealand consumers are open to 'new' or 'unique' U.S. food products. Consumer ready foods continue to dominate the import market.
- C A household spends an average NZ\$124.90 (US\$52) per week on food (77.9% is spent on home meals). Over the last 2 years this reflects a decline in spending on dairy and sweet products (spreads, beverages) while there has been an increase in vegetable, fruit, meat and fish purchases.
- C The traditional N.Z. 'starting from scratch' meals are in decline and heat & eat, frozen foods and ethnic carry-out food consumption is increasing.
- C The aging population and high media focus on health and diet foods will mean a shift towards a health conscious consumer with a desire for fresh foods, diversity of product, and a sophistication of choice.
- C The multi-cultural population will mean an increase in consumption of ethnic foods at home. Supermarkets are responding to this with increased shelf space and range of ethnic products with fresh, frozen and ready-to-eat meals.
- C The trend towards meat-free meals is growing, with one in two New Zealand consumers eating at least one meat-free meal per week.
- C The snack food category had a healthy sales rise of 5.9% by value (US\$61 million). Potato Chips were up 3.5% in value, cereal snacks 7.9% and packaged nuts 13.3%. Children's lunchbox snacks account for 78% and adult health snacks account for 22% of the total.
- C New Zealanders are moving away from sitting-down breakfast cereal time to a healthy convenience offering (up 20% from last year); breakfast bars, liquid breakfasts (yogurt based etc) and hot cereals are on the rise.
- C Almost 60% of New Zealanders have access to the Internet. More than one in five internet users have purchased a product or service via the internet with a 46% increase in people who have purchased a product or service on-line. Food purchases by internet, however, are very limited.
- C Due to busy lifestyles and demanding workplaces, the trends to eat out or use ready-to-eat and heat & eat meals are on the rise. Microwave ovens are present in 70 percent of homes. There are opportunities for U.S. exporters of microwave-ready meals and snacks but strong competition exists from Australian and New Zealand products.

B. CONVENIENCE STORES/GAS STATIONS

Overview

Gasoline stations in New Zealand are the main players in the convenience store market. These are generally the large petrol stations, open 24 hours a day, seven days a week. They sell fast food, snack food and a limited number of grocery items. There are five main players in the petrol station/convenience store market, and the competition is extremely fierce.

More and more petrol stations are turning the food retail section into a branded retail store. These stores are positioned at the petrol outlet and can be immediately identified with the petrol company.

Entry Strategy

- C Appoint a local agent/distributor in New Zealand to ensure distribution, availability of product and product promotion.
- C Convenience stores generally sell a limited grocery range, gasoline and ready-to-eat hot foods, and are open 24 hours.
- C Convenience stores generally buy their products from the supermarket or directly from the distributor/importer/manufacturer of the product.

COMPANY PROFILES

There are five competing gasoline companies in New Zealand, four of which have brand names for their retail convenience stores. The number of outlets mentioned are the number of convenience outlets and not the total number of gasoline stations.

Retailer Name (Store Name)	Ownership	No. of outlets	Purchasing type
Shell (Select)	New Zealand	300	Wholesalers/Manufacturers/Agents
Caltex (Star Mart/Challenge)	U.S.	254	Wholesalers/Manufacturers/Agents
BP (Express/Connect)	British	415	Wholesalers/Manufacturers/Agents
Mobil (On the Run)	New Zealand	119	Wholesalers/Manufacturers/Agents

British Petroleum (Connect) is introducing a new concept of 24 hours freshly baked café-style food and gourmet coffee in their convenience stores. My Connect will be equipped with internet kiosks offering free up-to-the minute news and weather and email services. BP Connect will replace its existing BP Express branding in the near future.

C. TRADITIONAL MARKETS, SMALL INDEPENDENT GROCERY STORES

In New Zealand number of corner stores called dairies are declining because of the popularity of gasoline stations/convenience stores, which are open 24 hours and seven days a week.

U.S. exporters have an extremely limited opportunity for sales of U.S. food products to this market.

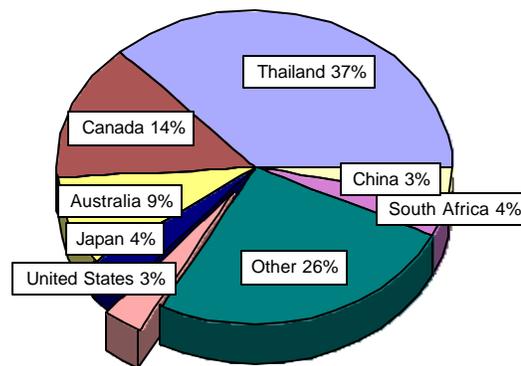
SECTION III. COMPETITION

Australia is the major competitor to U.S. consumer oriented food imports. Australia supplies more than

50 percent of the consumer oriented food products mainly because of the Closer Economic Relations Agreement between Australia and New Zealand, which eliminates tariffs on Australian products. U.S. food products pay between 0-7 percent tariffs.

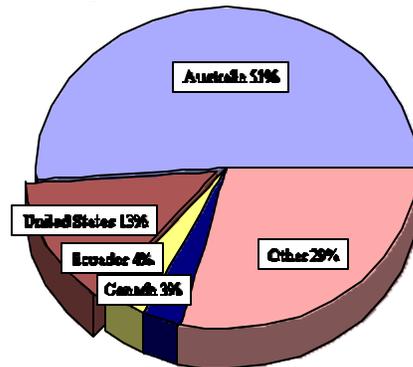
Many multinational companies, including American firms, have a manufacturing base in Australia and supply well known brands of food products. After Australia, there is limited competition to U.S. exports of consumer oriented food products, as the U.S. holds the next largest import market share. However, there is some competition from certain Canadian products, especially from canned fish (*salmon*) and a few other food products like mayonnaise, pickles and syrups. Canadian products pay no tariffs.

Competition for NZ's Imported Fish & Seafood Products



Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

The U.S. is New Zealand's seventh largest supplier of fish and seafood products with a 3 percent market share. The U.S. market share is largely composed of canned salmon sales. This product makes up 80 percent of U.S. exports of fish and seafood products. Sales of other U.S. fishery products are dependent on their price competitiveness. Thailand with a 37 percent market share is the largest supplier and its main products are frozen shrimp and canned tuna. Canada, the second largest supplier, is a direct competitor with the U.S., as 76 percent of their market share is composed of canned salmon sales. Japan supplies mostly shell-fish, and Australia, mostly crustaceans.

Competition for NZ's Imported Consumer Oriented Food Products

Source: FAS' Global
Agricultural Trade System

using data from the United Nations Statistical Office.

SECTION IV. BEST PRODUCT PROSPECTS**A. PRODUCTS PRESENT IN THE MARKET WHICH HAVE GOOD SALES POTENTIAL**

- C Fresh fruits, especially stone fruits (nectarines, peaches and plums), oranges, and grapefruit, and grapes during New Zealand's off-season ;
- C Snack foods, including nuts (almonds, pistachios, walnuts) and dried fruits (raisins, mixed fruit, dates, figs);
- C Canned salmon
- C Pet food, especially high quality or high nutrition
- C Organic foods, especially canned products or snacks

B. PRODUCTS NOT PRESENT IN SIGNIFICANT QUANTITIES BUT WHICH HAVE GOOD SALES POTENTIAL

- C Health foods, such as high energy bars and drinks;
- C Niche market food preparations, especially new products or those offering special nutrition or other benefits or conveniences
- C Ethnic foods
- C Wine: high end product could grow with promotion

C. PRODUCTS NOT PRESENT BECAUSE THEY FACE SIGNIFICANT BARRIERS

- C Uncooked and cooked poultry meat from the U.S. cannot meet revised NZ import regulations
- C Miscellaneous fresh fruits; some products could have access if an import health standard is concluded (e.g. melons)
- C Pork meat imports must be cooked either before export or upon import

SECTION V. POST CONTACT AND FURTHER INFORMATION

United States Embassy/Wellington
Foreign Agricultural Service
PSC 467, Box 1, FPO AP, 96531-1034
Phone: (64) (4) 462-6030
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e-mail: agwellington@fas.usda.gov
Internet homepage: <http://www.usia.gov/posts/wellington>

List of Useful Government Agencies and Trade Associations

Australia New Zealand Food Authority (ANZFA)
Internet Homepage: <http://www.anzfa.govt.nz>

Ministry of Agriculture and Fisheries (MAF)
Internet Homepage: <http://www.maf.govt.nz>

Ministry of Health
Internet Homepage: <http://www.moh.govt.nz>

Ministry of Foreign Affairs and Trade
Internet Homepage: <http://www.mfat.govt.nz>

Statistics New Zealand
Internet Homepage: <http://www.stats.govt.nz>

New Zealand Grocers Review
Internet Homepage: <http://www.grocersreview.co.nz>

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